

INCOMING TELEGRAM

Approved For Release 2001/08/27 : CIA-RDP70-00241R000200090015-0

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ActionControl: 12190
Rec'd: MARCH 20, 1956
1:09 PM

FROM: LONDON

Info

RMR

TO: Secretary of State

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NO: 4078, MARCH 20, 5 PM

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AMERICAN BUSINESS COMMUNITY HERE APPREHENSIVE THAT UK BUDGET APRIL 17 MAY CHANGE LAW WHICH NOW SUBJECTS THEM TO BRITISH TAX ONLY ON PORTION OF SALARY FROM US EMPLOYER RECEIVED IN UK. THEIR CONCERN BASED ON ROYAL COMMISSION REPORT LAST YEAR RECOMMENDING CHANGE TO PRINCIPLE OF TAXING INCOME WHERE WORK PERFORMED RATHER THAN WHERE INCOME RECEIVED. AS AMERICAN BUSINESSMEN RESIDENT IN UK NOT REQUIRED PAY FEDERAL INCOME TAX ON SALARY FOR WORK PERFORMED HERE (THIS BEING ALREADY OUR PRINCIPLE OF TAXATION), ADOPTION BY BRITISH OF US PRINCIPLE WOULD SIGNIFICANTLY WORSEN THEIR NET POSITION AFTER TAXES, ESPECIALLY OWING STEEPLY PROGRESSIVE BRITISH TAX.

US BUSINESSMEN HERE ASSERT IF CHANGE MADE THEY COULD NOT AFFORD REMAIN IN UK. AND BRITISH MANAGES WOULD HAVE TO REPLACE THEM IN AMERICAN SUBSIDIARIES HERE. THEY CLAIM THIS WOULD LESSEN INTEREST OF AMERICAN COMPANIES IN NEW INVESTMENT HERE.

EMBASSY UNDERSTANDS BUSINESS COMMUNITY PROBABLY WILL APPROACH BRITISH AUTHORITIES IN EFFORT FORESTALL TAX CHANGE IF CONTEMPLATED, AND EMBASSY POSSIBLY WILL BE ASKED TO SUPPORT. IF REQUESTED, WE INCLINED GIVE SOME SUPPORT (BASED ON PRACTICAL IMPACT OF TAX CHANGE RATHER THAN DISAGREEMENT ON PRINCIPLE), PROVIDED NO OBJECTION FROM ADDRESSEE AGENCIES. PLEASE ADVISE PRIORITY AS ANY APPROACH TO BRITISH MUST BE MADE WITHIN WEEK OR

SO.
JMD

ALDR CH

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